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MM Docket 92-266

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# Congress of the United States

House of Representatives

Washington, DC 20515-0504

August 3, 1993

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AUG 19 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

The Honorable James H. Quello  
Chairman  
Federal Communications Commission  
1919 M Street, N.W. Room 802  
Washington, D.C. 20554

Dear Chairman Quello:

It has come to my attention that small cable TV operators in my district are finding it very difficult, if not impossible, to comply with some of the Commission's rules that have resulted from the 1992 Cable Act.

They believe that the rate regulation rules and benchmarks, in particular, threaten the viability of their businesses, and that their companies will not be able to upgrade and improve their systems, add programming, or extend service to new areas because of these rules.

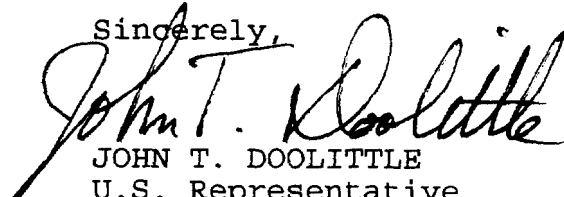
These companies operate in semi-rural and rural areas. These are areas that apparently do not interest the large cable companies because of the low housing density. At a minimum, I hope you will factor low density into your rate benchmarks to give these operators some relief in that respect.

Also, the Cable Act requires the Commission to reduce the administrative burden of the rules on these systems as part of your rulemaking, and, to date, that has not been done. I hope this will be remedied in the near future.

I have seen the July 13, 1993, letter on this subject which was sent by organizations representing small cable operators. A copy is attached. I fully support the points raised in this letter and ask that you carefully consider them.

I appreciate your attention to this matter.

Sincerely,

  
JOHN T. DOOLITTLE  
U.S. Representative

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AUG 19 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

July 13, 1993

Delivered by Hand

The Honorable James H. Quello  
Chairman  
Federal Communications Commission  
1919 M Street, N.W., Room 802  
Washington, D.C. 20554

Re: MM Docket No. 92-266  
MM Docket No. 92-263

Dear Chairman Quello:

Following up your statements regarding the plight of small cable operators in complying with the 1992 Cable Act ("the Act"), we write to urge the Commission to take actions to alleviate unnecessary burdens on these operators. We believe, based upon extensive consultations with our members, that failing to act will seriously impede the ability of small cable systems to provide quality service to subscribers.

The Commission recognizes that Section 623(i) of the Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." Moreover, the public interest standard authorizes exceptions to the general rule where justified. We applaud your public commitment to work to alleviate small system burdens. We urge the Commission:

- To permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total system revenues to operating expenses, depreciation and interest expenses for some specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the benchmark approach.
- To permit small operators to increase rates to the benchmark cap. The Commission has found that rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, these systems will retain the flexibility needed to generate necessary capital.
- To authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the benchmark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

The Honorable James H. Quello  
July 13, 1993  
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- To allow small operators to pass-through rebuild costs. Small operators are generally located in rural areas. Congress and the Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.
- To clarify that the customer service requirements that do not require small operators maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits would be clearly outweighed by the costs.
- To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which, when applied to small operators, are presumptively more harmful than beneficial. It should also discuss alternatives to benchmark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

We believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protections.

We have filed a copy of this letter with the Secretary for inclusion in the appropriate dockets.

*David D. Kinley*

David D. Kinley  
Small Cable Business Association

*Stephen R. Effros*

Stephen R. Effros  
Community Antenna Television Association

Sincerely,

*Michael J. Pohl*

Michael J. Pohl for  
Coalition of Small System  
Operators

*Decker Anstrom*

Decker Anstrom  
National Cable Television  
Association

cc: The Honorable Andrew C. Barrett  
The Honorable Ervin S. Duggan